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Professor Yoshiro Miwa addresses six concepts he believes many have misperceived as important to Japan's postwar economy. These are: dualism in labor and finance, groups or keiretsu, main banks, industrial policy, corporate governance and organization of subcontractors. He views these as non-existent, not important or improperly presented explanations of Japanese success. Dualism, main banks and industrial policy are non-existent. Distribution and bank based groups or keiretsu are unimportant. Vertical or manufacturing groups, corporate governance and organization of subcontractors are improperly analyzed.

Unfortunately, in attempting to rebut these theories' proponents and related research, he claims too much for his approach. The series of straw men he hypothesizes and demolishes through various points, examples, data, arguments and theories illustrating his views are excessively one-sided and selective, while he avoids periods, data, or examples supporting alternative positions. Further, fallacies of composition abound relative to time and industry structure. Data best applied to an industry's initial growth phase are assessed during later development phases. Survey results for large prime subcontractors are applied to small tertiary subcontractors. Potentially constructive criticism showing the above approaches' explanatory limitations thus becomes a caricature easily undermined by contra data and examples, especially those found in the book's tables and footnotes. A more balanced view would have been more logical, accurate, and persuasive.

On industrial policy (IP), he should have noted its dynamic nature, and its greater importance in an industry's early development when firms need protection and preferential access to financial resources. Once competitiveness is achieved, domestically much less internationally, firms can access market resources and act more independently. MITI's targeting has thus moved in a band as industries achieved competitiveness. To prove IP had no impact, one must therefore analyze examples at initial development.

Examining steel and the Sumitomo production allocation controversy in the 1960s to prove IP had no impact is inappropriate. Japan was then the world’s low cost producer. A better steel example would the 1950s; an appropriate 1960s example would be computers. However, these undermine Professor Miwa's argument since he admits in the 1950s steel needed preferential loans while support for computers, which he never discusses, is well documented. His example to demonstrate limitations on MITI's exercise of even its legal powers is Idemitsu's ability to add capacity in 1963. But this is countered by the Lion Oil case in 1984 when MITI prevented an independent wholesaler from importing gasoline from Singapore. It also illustrates different treatment of large firms and entrepreneurs as
well as the existence of bank groups since under pressure from refiners and their shareholders the banks simultaneously withdrew Lion’s trade financing.

He also claims no IP financial allocation mechanism existed. Yet, I remember the Bank of Japan signaling through its discount policy which company paper was acceptable collateral. When funds were tight during initial industry growth or balance of payments crises, commercial banks would direct loans to these firms. Though fairly well known, this powerful allocation mechanism is ignored.

Several chapters analyze different group types: banks, vertical (manufacturing and assemblers), and distribution, claiming the literature does not understand the distinctions. They are particularly critical of possible bank group influences and main banks. But their conclusions suffer from a failure to explain why bank influence appears to vary by industry. Japan’s shift from light to heavy industry, where large firms predominate, resulted in a steep drop in loan asset share from city and regional banks to small business from 78.7 percent in 1957-59 to 69.3 percent in 1960-62 to 35.6 percent in 1963-65 while large firms’ capitalization ratio fell from 32 percent in 1960 to around 22 percent in 1974.

From this, analysis should focus on sales and assets in assessing banks’ importance to firms or groups by measuring loans and capital contribution. Mitsubishi and Sumitomo are then clearly groups with 35.5 percent and 27.5 percent intergroup holdings and 18.0 percent and 26.6 percent in inter-group loans. Instead the book examines firm growth and asserts small firms’ ability to access funds without analyzing the impact of large assemblers via tegata discounts or larger compensating balances during tight money. A better approach would have differentiated between strong and weak bank groups and between small firms with and without assembler relations. Trying to prove certain firms do not work together or favor group companies given a high percentage of intragroup sales, a Mitsubishi and Sumitomo 25.6 percent and 38.1 percent to trad companies alone, makes no sense. Also, why does Professor Mi examine main bank loans based on share rather than loan amount? Given legal lending limits of which he is aware, one could easily explain his point about why small companies get an increase in funds from a share standpoint when they are troubled but large companies may not. Further, there is no analysis of main bank guarantees, a common alternative support technique in troubled borrower situations.

While groups account for a small percent of companies, their influence, despite Professor Miwa’s contrary assertion, is large, especially on an industry basis. In 1990 164 non-financial companies and their affiliates out of millions accounted for 22.3 percent of all sales and 22.7 percent of assets. Including group financial companies would further increase the asset percentage. Also, large firms and their keiretsu account over 80 percent of exports and foreign direct investment (FDI). They particularly dominate the most visible exports
and FDI such as automobile assembly or steel and ship production. The large number of small Japanese firms in industries like cotton textiles or operating as tertiary subcontractors to firms such as Toyota is irrelevant, and a quoted Mitsubishi Research study of 58 Toyota subassemblers from among the 168 largest first tier suppliers cannot extend as the book attempts to its 47,000 second and third tier suppliers.

This criticism spills over to the treatment of dualism. It is known only 12 million out of 50 million workers in Japan work for large firms and have long-term employment. But there must then be some distinction between labor markets for these and smaller firms. Whether it is called dualism or not is immaterial. Large and small subcontractors face differential effects from yen appreciation and access to capital and foreign markets too. Further, only the largest subcontractors impact what car is produced or what is ordered. The book’s hypothesis of control as the ability to replace managers is therefore too narrow since influencing production, investment and location decisions affects profits and employment levels. Large firms’ influence, especially on the rest of the world, is thus significantly understated. Indeed, the volume suffers from having no international perspective and from Professor Miwa’s explicitly avoiding addressing different theories of the firm, though neoclassical issues versus imperfect competition created by scale and product differentiation are central to his argument.

Their importance is seen in a recent survey of large and small companies. Larger listed companies with overseas sales and FDI have recovered revenues and profitability. But smaller companies in the Bank of Japan’s Tankan survey indicate they have lost sales from large firms transferring production abroad. This survey indicates structural change due to the strong yen has widened differences between small and medium size firms and large assemblers so the former feel no recovery. If Professor Miwa’s view is correct and differences between large and small firms are overstated, each should show similar results from restructuring.

Selectively, the book presents some potentially interesting points that add to the knowledge of Japanese firms and industrial organization. These include shifts in shareholder groups and main banks, that many subcontractors are non-exclusive since assemblers want scale in parts production, and that friendly shareholders exist. However, by seeing these as refutations instead of modifications to existing research, the book fails to maintain a balanced view and loses reader credibility.

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